

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**MANAGEMENT DISCUSSION & ANALYSIS  
AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**REPORT ON EXAMINATION  
OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2013**



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY  
INFORMATION AND OTHER INFORMATION – STATE OR LOCAL GOVERNMENTAL ENTITY**  
*INDEPENDENT AUDITORS' REPORT*

Board of Commissioners  
Housing Authority of the Town of Ruston  
Ruston, Louisiana 71723

HUD – New Orleans Office  
501 Magazine 9th Floor  
New Orleans, Louisiana 70130

**Report on Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the Town of Ruston as of and for the year ended June 30, 2013, and the related notes to the financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Town of Ruston, as of June 30, 2013, and the respective changes in financial position and, where appropriate, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, should be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

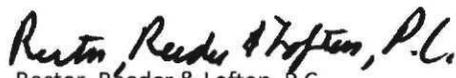
### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Housing Authority of the Town of Ruston. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Financial Data Schedules required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

  
Rector, Reeder & Lofton, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
December 5, 2013

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**MANAGEMENT DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2013**

# **HOUSING AUTHORITY OF THE TOWN OF RUSTON MANAGEMENT'S DISCUSSION & ANALYSIS FISCAL YEAR ENDED JUNE 30, 2013**

This section of the Authority's annual financial report presents Management's analysis of the Authority's financial performance during the Fiscal Year Ended June 30, 2013.

## **FINANCIAL HIGHLIGHTS AND CONCLUSIONS:**

The Housing Authority of the Town of Ruston had a good year as illustrated by the outcome of its fiscal year operations. Total Net Position increased by \$136,947 or 2.44%. The financial indicators continue to maintain an above average score as established by the Real Estate Assessment Center (REAC). Based on our calculation of the financial score, the Authority should receive a designation of "standard performer" under the Financial Assessment Sub System (FASS).

## **REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Position (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year's revenues, expenses, and changes in net position are accounted for in the Statement of Revenues, Expenses and Change in Net Position. This statement measures the success of the Authority's operations over the past fiscal year.

The purpose of the Statement of Cash Flows is to provide information about the Authority's cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations.

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

One question frequently asked about an Authority's finances is "Did the Authority's operations and financial position improve or deteriorate over the previous fiscal year?" The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net

Position report information about the Authority's activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority's Statement of Net Position is presented in Table I, which follows.

**Housing Authority of the Town of Ruston  
Comparative Statement of Net Position  
TABLE I**

	<b>2013</b>	<b>2012</b>	<b>Total Change</b>	<b>% Change</b>
Current Assets	\$ 1,389,116	\$ 1,221,642	\$ 167,474	13.71%
Capital Assets	4,617,407	4,640,717	(23,310)	-0.50%
<b>Total Assets</b>	<b>\$ 6,006,523</b>	<b>\$ 5,862,359</b>	<b>\$ 144,164</b>	<b>2.46%</b>
Current Liabilities	\$ 203,979	\$ 92,099	\$ 111,880	121.48%
Noncurrent Liabilities	52,402	157,065	(104,663)	-66.64%
<b>Total Liabilities</b>	<b>256,381</b>	<b>249,164</b>	<b>7,217</b>	<b>2.90%</b>
Net Investment in Capital Assets	4,514,511	4,535,919	(21,408)	-0.47%
Unrestricted	1,235,631	1,077,276	158,355	14.70%
<b>Total Net Position</b>	<b>5,750,142</b>	<b>5,613,195</b>	<b>136,947</b>	<b>2.44%</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 6,006,523</b>	<b>\$ 5,862,359</b>	<b>\$ 144,164</b>	<b>2.46%</b>

Total assets increased by \$144,164 or 2.46%. This was a result of increases in current assets of \$167,474 or 13.71% which was offset by a decrease of \$23,310 or 0.50% in capital assets. The overall increase in current assets is due to increases in cash and investments of \$221,313 or 24.18%, as illustrated in the Statement of Cash Flows in the audited financial statements, other government receivables of \$9,975 or 36.13%, inventory of \$2,177 or 4.37%, fraud recovery receivables of \$1,271 or 33.13%, and accrued interest receivable of \$1,381 or 150.76%. These increases were offset by decreases in HUD accounts receivable of \$53,962 or 38.00%, prepaid expenses of \$12,669 or 16.43%, and tenant accounts receivable of \$2,012 or 40.39%.

Total liabilities increased by \$7,217 or 2.90%. Current liabilities increased by \$111,880 or 121.48%, due to increases of \$5,228 or 42.98% in accounts payable and \$7,488 or 810.39% in payroll withholdings due to year end timing differences. However, the main cause of the increase was due to a reclassification of all capital debt as current, as described in Note H – Long-term Debt. This reclassification caused the current portion of long term capital debt to increase by \$101,138, while the noncurrent portion of capital debt decreased by \$103,040. Compensated absences decreased by \$2,027 or 3.00%.

As illustrated in the above Comparative Statement of Net Position, the overall Net Position of the Authority increased by \$136,947 or 2.44%. Net Investment in Capital Assets decreased by \$21,408 or 0.47%. This change was due to depreciation expense in excess of current period capital additions and is explained further within this document. Unrestricted Net Position increased by \$158,355 or 14.70%, representing an increase in net working capital and available resources for future programs and expenditures.

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Change in Net Position breaks down our revenues and expenses further. Table II, which follows, provides a comparative statement of these changes in Net Position. Table III provides a Statement of Revenues, Expenses and Change in Net Position by Revenue Source.

**Housing Authority of the Town of Ruston**  
**Comparative Statement of Revenues, Expenses and Change in Net Position**  
**TABLE II**

	<u>2013</u>	<u>2012</u>	<u>Total Change</u>	<u>% Change</u>
Tenant Revenue	\$ 872,595	\$ 871,964	\$ 631	0.07%
Grant Funding	1,093,752	1,137,089	(43,337)	-3.81%
Interest Income	6,822	5,407	1,415	26.17%
Other Income	160,291	229,643	(69,352)	-30.20%
<b>Total Revenue</b>	<b><u>2,133,460</u></b>	<b><u>2,244,103</u></b>	<b><u>(110,643)</u></b>	<b><u>-4.93%</u></b>
Administration	391,182	391,654	(472)	-0.12%
Tenant Services	106,136	93,029	13,107	14.09%
Utilities	285,313	291,864	(6,551)	-2.24%
Maintenance	866,537	910,091	(43,554)	-4.79%
General	134,356	165,718	(31,362)	-18.92%
Interest	8,115	8,417	(302)	-3.59%
Depreciation	204,874	157,769	47,105	29.86%
<b>Total Expenses</b>	<b><u>1,996,513</u></b>	<b><u>2,018,542</u></b>	<b><u>(22,029)</u></b>	<b><u>-1.09%</u></b>
Change in Net Position	136,947	225,561	(88,614)	-39.29%
Beginning Net Position	5,613,195	5,387,634	225,561	4.19%
<b>Ending Net Position</b>	<b><u>\$ 5,750,142</u></b>	<b><u>\$ 5,613,195</u></b>	<b><u>\$ 136,947</u></b>	<b><u>2.44%</u></b>

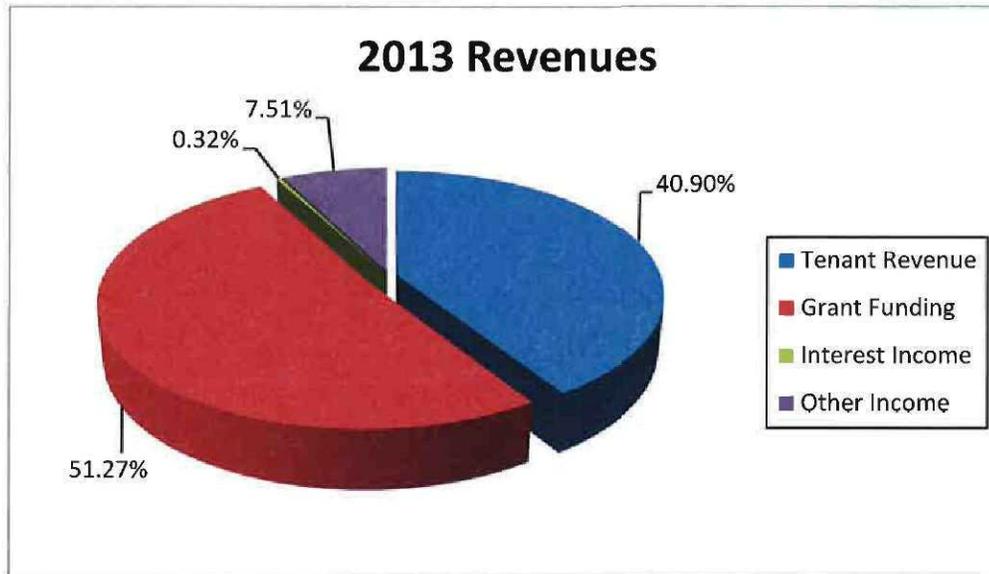
**Housing Authority of the Town of Ruston**  
**Statement of Revenues, Expenses and Change in Net Position - By Program**  
**For Year Ended June 30, 2013**

TABLE III

	Low-Rent	Central Office	Business Type Activity	Eliminations	Total
Tenant Revenue	\$ 851,481	\$ -	\$ 21,114	\$ -	\$ 872,595
Grant Funding	1,093,752	-	-	-	1,093,752
Interest Income	359	6,463	-	-	6,822
Other Income	19,972	256,329	116,452	(232,462)	160,291
<b>Total Revenue</b>	<b>1,965,564</b>	<b>262,792</b>	<b>137,566</b>	<b>(232,462)</b>	<b>2,133,460</b>
Administration	440,467	181,542	1,635	(232,462)	391,182
Tenant Services	106,136	-	-	-	106,136
Utilities	285,313	-	-	-	285,313
Maintenance	807,069	-	59,468	-	866,537
General	127,448	3,881	3,027	-	134,356
Interest	-	-	8,115	-	8,115
Depreciation	195,193	5,894	3,787	-	204,874
<b>Total Expenses</b>	<b>1,961,626</b>	<b>191,317</b>	<b>76,032</b>	<b>(232,462)</b>	<b>1,996,513</b>
<b>Change in Net Position</b>	<b>3,938</b>	<b>71,475</b>	<b>61,534</b>	<b>-</b>	<b>136,947</b>
Transfer of Equity	-	-	-	-	-
Beginning Net Position	4,798,833	592,421	221,941	-	5,613,195
<b>Ending Net Position</b>	<b>\$ 4,802,771</b>	<b>\$ 663,896</b>	<b>\$ 283,475</b>	<b>\$ -</b>	<b>\$ 5,750,142</b>

**REVENUES**

In reviewing the Statement of Revenues, Expenses and Change in Net Position, you will find that 51.27% of the Authority's revenues are derived from grants from the Department of Housing and Urban Development. The Authority receives revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges for 48.41% of total revenue. Other Revenue, including Interest from Investments, and Property, Grant, and Asset Management Fees to the Central office comprises the remaining 0.32%. Compared to the Fiscal Year Ended June 30, 2012, revenues showed an overall decrease of \$110,643 or 4.93%.



**Tenant Revenue** - Tenant Revenue increased from \$871,964 to \$872,595, an increase of \$631 or 0.07%. Dwelling rent revenue typically changes in relation to changes in the number of working family tenants and changes in dwelling unit occupancy. This year the number of units occupied increased by 1.27%.

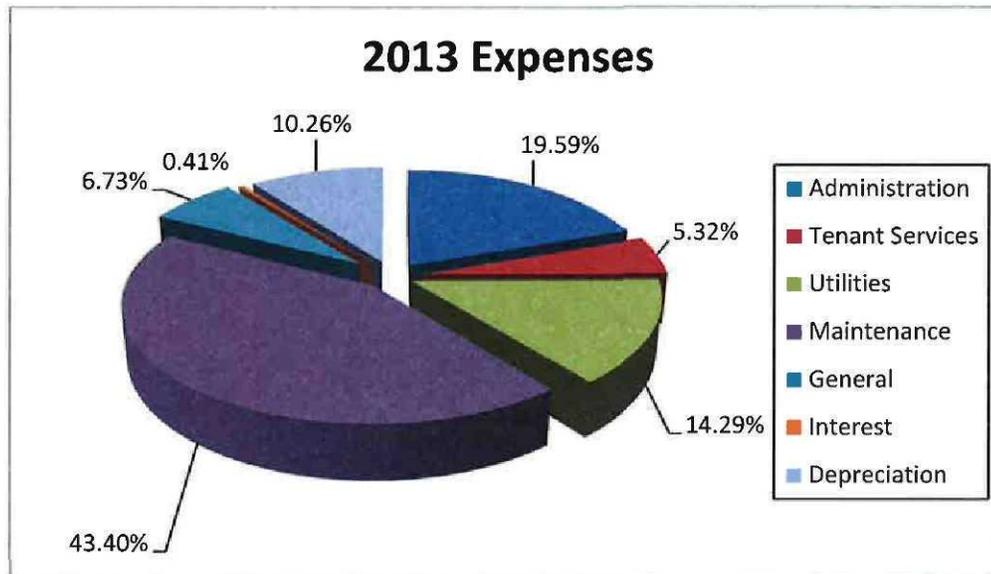
**Program Grants/Subsidies** - The Authority experienced a decrease of \$43,337 or 3.81% in Grant Funding from \$1,137,089 in FY2012 to \$1,093,752 in FY2013. The reason for change is a temporary decrease of spending of the Capital Fund grants which can be expended and earned over several years. The Capital Fund Programs ordinarily remains fairly consistent from program year to program year. Capital Fund spending for this year was down by \$52,028 or 16.47%. This was offset somewhat by an increase in Public Housing operating subsidy of \$8,691 or 1.06% over the previous year.

**Interest Income** - Interest income increased by \$1,415 or 26.17% as a result of higher interest rates earned on deposits.

**Other Income** - Other income decreased by \$69,352 or 30.20% due to decreases in the amount of work done for Farmerville Housing Authority and other managed entities.

## EXPENSES

The Housing Authority of the Town of Ruston experienced a decrease in expenses for the current year from \$2,018,542 to \$1,996,513, a decrease of \$22,029 or 1.09%.



The highlights of changes in expenses for the current year are as follows:

**Administrative** - Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2012, administrative costs decreased by \$472 or 0.12%.

**Tenant Services** - Tenant services costs include all costs incurred by the Authority to provide social services to the residents. Tenant Services costs increased from \$93,029 to \$106,136, an increase of \$13,107 or 14.09%. This is due to increases in tenant service salaries of \$1,139 or 5.49%, employee benefits of \$521 or 5.22%, and other tenant services of \$11,447 or 18.38%. All increases relate to increased services offered to tenants.

**Utilities** - The total utilities expense for the Authority decreased by \$6,551 or 2.24%. The decrease is due mainly to decreases in sewer costs of \$8,783 or 13.17% and gas costs of \$791 or 11.05%. Water costs increased by \$1,122 or 5.05% and electricity costs increased by \$1,901 or 0.97%.

**Maintenance** - Maintenance costs are all costs incurred by the Authority to maintain its Public Housing units in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management and telephone/radio service, etc. Maintenance expenses for the Authority decreased from \$910,091 to \$866,537, a decrease of \$43,554 or 4.79%. This was mainly due to decreases of \$10,126 or 2.87% in

salaries, \$11,296 or 6.66% in employee benefits, and \$20,030 or 12.64% in materials. Total contract costs remained fairly constant, decreasing by \$2,102 or .92%.

**General Expenses** - General expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, lead based paint insurance, etc.), collection losses, and interest expense. General expenses for the Authority decreased from \$165,718 to \$134,356, a decrease of \$31,362 or 18.92%. This decrease is primarily due to decreases other general expenses of \$16,475 and bad debt expenses of \$23,442. Interest expense also decreased by \$302 or 3.59%.

**Depreciation** - Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation expense for the current year increased by \$47,105 or 29.86%.

**CAPITAL ASSETS**

As of June 30, 2013, the Authority had decreased its net capital assets by \$23,310 or 0.50% to \$4,617,407. The following illustrates the Capital Asset values for 2012 and 2013.

**Housing Authority of the Town of Ruston  
Comparative Statement of Capital Assets  
TABLE IV**

	<u>2013</u>	<u>2012</u>	<u>Total Change</u>	<u>% Change</u>
Land	\$ 67,146	\$ 67,146	\$ -	0.00%
Buildings & improvements	12,226,889	11,086,564	1,140,325	10.29%
Equipment	395,481	345,503	49,978	14.47%
Construction in Progress	626,666	1,646,040	(1,019,374)	-61.93%
	<u>13,316,182</u>	<u>13,145,253</u>	<u>170,929</u>	<u>1.30%</u>
Accumulated Depreciation	(8,698,775)	(8,504,536)	(194,239)	2.28%
<b>Total Capital Assets</b>	<u><u>\$ 4,617,407</u></u>	<u><u>\$ 4,640,717</u></u>	<u><u>\$ (23,310)</u></u>	<u><u>-0.50%</u></u>

Major changes in the capital asset accounts are summarized below:

Balance at July 1, 2012	\$ 4,640,717
Current period additions – capital fund	181,565
Prior period additions reclassified	(1)
Current period depreciation expense	<u>(204,874)</u>
<b>Balance at June 30, 2013</b>	<u><u>\$ 4,617,407</u></u>

The change in Net Investment in Capital Assets was due to capital asset costs additions from the Capital Fund of \$181,565 which were offset by current depreciation expense of \$204,874.

## **DEBT OBLIGATIONS**

The Ruston Community Corporation (Business Activities) entered into a debt obligation with the Bank of Ruston on October 19, 2010 for the acquisition of certain real property. The obligation is secured by a first mortgage deed and bears interest at a rate of 7.75% per annum. This note will mature on September 19, 2013, and the Authority plans to refinance this obligation into a long-term instrument at that time. As such, the entire outstanding liability of \$102,896 is shown as short-term as of June 30, 2013.

## **ECONOMIC FACTORS**

Several significant economic factors affecting the Housing Authority are as follows:

- Congressional funding of the Department of Housing and Urban Development, including an additional “subsidy allocation adjustments.”
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Health care and other insurance costs are expected to increase dramatically over the next several years especially due to the Affordable Care Act.

## **CONCLUSIONS:**

Overall, the Housing Authority of the Town of Ruston had a very good year financially. Its management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development.

This financial report is designed to provide our residents, the citizens of Ruston, Louisiana, all federal and state regulatory bodies, and any creditors with a general overview of the Authority’s finances. If you have any questions regarding these financial statements or supplemental information, you may contact the Executive Director or Assistant Executive Director at (318) 255-3644, or address your correspondence to: Housing Authority of the Town of Ruston, P.O. Box 510, Ruston, LA 71270.

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Housing Authority of the Town of Ruston  
Ruston, Louisiana

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

**ASSETS**

**Current Assets**

Cash & cash equivalents - unrestricted	\$	825,949
Cash & cash equivalents - restricted		56,676
Investments - unrestricted		254,007
Accounts receivable		136,010
Prepaid expenses		64,437
Inventories		<u>52,037</u>
Total Current Assets		<u>1,389,116</u>

**Noncurrent Assets**

Capital Assets:

Land		67,146
Buildings & improvements		12,226,889
Furniture & equipment		395,481
Construction in progress		<u>626,666</u>
		13,316,182
Less: Accumulated depreciation		<u>(8,698,775)</u>
Total Capital Assets		<u>4,617,407</u>

Total Noncurrent Assets 4,617,407

**TOTAL ASSETS** \$ 6,006,523

The accompanying notes are an integral part of these financial statements.

## LIABILITIES & NET POSITION

### Current Liabilities

Accounts payable	\$	17,393
Accrued liabilities		21,514
Unearned revenue		5,500
Long-term debt - current portion		102,896
Tenant security deposits/escrow deposits		<u>56,676</u>
Total Current Liabilities		<u>203,979</u>

### Noncurrent Liabilities

Accrued liabilities - noncurrent		<u>52,402</u>
Total Noncurrent Liabilities		<u>52,402</u>
TOTAL LIABILITIES		<u>256,381</u>

### Net Position

Net investment in capital assets		4,514,511
Unrestricted		<u>1,235,631</u>
TOTAL NET POSITION		<u>5,750,142</u>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$</b>	<b><u><u>6,006,523</u></u></b>

Housing Authority of the Town of Ruston  
Ruston, Louisiana

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Operating Revenues**

Tenant revenue	\$ 872,595
Governmental grants & subsidy	912,187
Other income	160,291
<b>Total Operating Revenue</b>	<b><u>1,945,073</u></b>

**Operating Expenses**

Administration	391,182
Tenant services	106,136
Utilities	285,313
Maintenance & operations	866,537
General expense	134,356
Depreciation expense	204,874
<b>Total Operating Expense</b>	<b><u>1,988,398</u></b>

**Net Operating Income/(Loss)** **(43,325)**

**Nonoperating Revenues/(Expenses)**

Investment income	6,822
Interest expense	<u>(8,115)</u>

**Net Nonoperating Revenues/(Expenses)** **(1,293)**

**Net Income/(Loss) before capital grants** **(44,618)**

Capital grants 181,565

**Increase/(Decrease) in Net Position** **136,947**

Total Net Position - beginning 5,613,195

**Total Net Position - ending** **\$ 5,750,142**

The accompanying notes are an integral part of these financial statements.

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,032,886
Governmental grants & subsidy - operations	912,187
Payments to suppliers	(901,691)
Payments to employees	(818,874)
	<hr/>
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	224,508

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(1,125)
Interest received	6,822
	<hr/>
NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	5,697

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Governmental capital grant fund received	181,565
Additions to capital assets - capital funds	(181,565)
Interest paid	(8,115)
Payment on notes payable	(1,902)
	<hr/>
NET CASH PROVIDED/(USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(10,017)

NET INCREASE/(DECREASE) IN CASH	220,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	662,437
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 882,625

The accompanying notes are an integral part of these financial statements.

Housing Authority of the Town of Ruston  
Ruston, Louisiana

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income/(Loss) from operations	\$	(43,325)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		204,874
Decrease (Increase) in accounts receivable		43,347
Decrease (Increase) in prepaid expenses		12,670
Decrease (Increase) in inventory		(2,177)
Increase (Decrease) in accounts payable		5,228
Increase (Decrease) in accrued liabilities		5,461
Increase (Decrease) in unearned revenue		(3,090)
Increase (Decrease) in security/trust deposits		<u>1,520</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	\$	<u><u>224,508</u></u>

The accompanying notes are an integral part of these financial statements.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:**

**Organization** - The Housing Authority of the Town of Ruston ("The Authority") is a Quasi governmental entity which was organized under the laws of the State of Louisiana, as a tax-exempt, quasi-government entity under the United States Housing Act of 1937. This Housing Authority was organized for the purpose of providing decent, safe and sanitary housing for low-income families. The Authority entered into Annual Contributions Contract No. FW-1074 with the Department of Housing and Urban Development for the purpose of financing unit construction and the retirement of debt.

**Reporting Entity** - In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include the following:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based upon the above criteria, all the operations of the Authority are included in these financial statements and there are no operations or component units, which have been excluded in this report.

**Basis of Accounting:**

The accounting policies of the Housing Authority of Town of Ruston conform to generally accepted accounting principles as applicable to governments. The financial statements are presented in accordance with Generally Accepted Accounting Principle (GAAP). In applying the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds," the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements.

The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts, which include its assets, liabilities, fund equity, revenues and expenses/expenditures. Funds consist of three major categories: government, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**Proprietary Fund Types** – This fund is used to account for the Authority’s ongoing activities that are similar to those often found in the private sector. The generally accepted accounting principles here are generally those applicable to similar businesses in the private sector; the accounting measurement focus is on determination of net income, financial position, and cash flows. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund’s activities are included on its Statement of Net Position. Proprietary Fund Net Position is segregated into Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. The following are the Authority’s Proprietary Fund Types:

**Enterprise Fund** – This fund is used to account for operations that are financed and operated in a manner similar to private businesses where the intent of the governing body is that the costs (expenditures, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenditures incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Authority operates the following programs in the Enterprise Fund:

1. Low Income Public Housing – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly.
2. Capital Fund Program – The objective of this program is to improve the physical condition of the Low Income Public Housing units and upgrade the management of the program.
3. Business Activities – The objective of this program is to acquire affordable housing property within the Ruston area. This program represents the activity of the Ruston Community Corporation.

**Encumbrances** - The Authority does not use encumbrance accounting.

**Budgets** - The Authority is required by its HUD Annual Contributions Contracts to adopt an annual budget for the Low Rent Housing Program included in the General Fund. Annual budgets are not required for capital projects funds as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval. Appropriations are authorized at the function level. Management may transfer budget authorizations between functions except that increases for administration and capital expenditures categories must be approved by HUD. All appropriations which are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the Board and approved by HUD.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

*Other particulars related to balance sheet items include:*

**1. Cash and Investments:**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. Investments are stated at cost which approximates market.

**2. Buildings and Equipment:**

Buildings and equipment are carried at historical costs. Donated assets are recorded at fair market value at the date of the donation. If the initial cost of the piece of equipment and/or other personal property is \$1,000 or more, and the anticipated life or useful value is more than one year, the same shall be capitalized. Depreciation of buildings and equipment is computed using the straight-line method at rates based on useful lives of 3 to 5 years for equipment, 15 years for leasehold improvements and 30 years for buildings.

**3. Subsidies:**

Operating grants and subsidy are recorded as operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position, while grants for capital improvements have been added to Net Position and are not shown as operating income.

**4. Income Taxes:**

The Housing Authority of the Town of Ruston is a Quasi governmental entity. The Authority is not subject to Federal or State income taxes.

**5. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**6. Compensation for Future Absences:**

It is the policy of the Authority to accumulate earned but unused annual leave benefits which will be paid to employees upon separation from Authority service. A maximum of 30 days or 240 hours of unused leave time may be carried forward annually by each employee. Employees who separate from employment for any reason other than retirement shall forfeit all accrued sick leave.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**7. Accounts Receivable:**

Collection losses are charged off against an allowance for doubtful accounts. The allowance account is adjusted annually to properly reflect the balance of net accounts receivable due.

**8. Operating Revenue:**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

**9. New Accounting Pronouncements:**

During fiscal year 2013, the Authority implemented GASB Statement No. 61, The Financial Reporting Entity, which amends certain requirements for the inclusion and reporting component units in a government's financial statements. This Statement will require new blending criteria, clarification of the reporting equity interests in legally separate organizations, expanded note disclosures explaining rationale for component unit classification, as well as additional requirements beyond "fiscal dependency" and having the same common board. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2012.

During FY 2013, the Authority has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. As of June 30, 2013, the Authority had no deferred inflows or outflows to be reported.

**NOTE B - CASH AND INVESTMENTS:**

All the deposits of the Housing Authority of the Town of Ruston are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Housing Authority of the Town of Ruston has no policy regarding custodial credit risk for deposits.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE B - CASH AND INVESTMENTS: (Cont'd)**

At June 30, 2013, the Authority's cash and cash equivalent deposits had a carrying amount of \$882,348 and bank balances of \$933,697. Of the bank balances held in various financial institutions, \$1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. At June 30, 2013, the Authority's petty cash/change funds totaled \$277.

**Investments** - At June 30, 2013, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
Certificates of Deposit	\$ 254,007	Greater than 3 months	N/A

**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority typically limits its investment portfolio to maturities of 12 months or less.

**Credit risk** - The Authority has no policy regarding credit risk.

**Custodial credit risk** - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All cash balances are four banks and are fully collateralized at 100% and pledged securities are noted below. The Authority has no policy on custodial credit risk.

**Concentration of credit risk** - The Authority places no limit on the amount that it may invest in certificates of deposits. The Authority has no policy regarding credit risk.

The above balances are contained in the following types of accounts at various financial institutions.

Cash & Investments at June 30, 2013 are as follows:

Checking accounts	\$ 882,348
Certificates of Deposit	254,007
Petty cash	<u>277</u>
	<u>\$ 1,136,632</u>

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE B - CASH AND INVESTMENTS: (Cont'd)**

**Restricted Cash and Investments:**

Rental deposits are reserved until refunded to the tenant or used to cover expenses upon departure. The tenant security deposit cash and liability balances are as follows:

Tenant security deposit – cash	\$ <u>56,676</u>
Tenant security deposit – liability	\$ <u>56,676</u>

**Collateralization:**

As of June 30, 2013 the following securities were pledged as collateral to secure the deposits of the Housing Authority of the Town of Ruston:

Security	Cusip	Maturity Date	Interest Rate	Market Value
<b>Community Trust Bank</b>				
FHLB	31397QL22	05/22/2040	4.000%	\$ 305,000
FHLB	128506DX7	02/15/2020	4.000%	100,000
FHLB	153136CF1	01/11/2026	4.000%	100,000
FHLB	50700NAR8	11/01/2027	5.375%	35,000
FHLB	534490EA1	03/01/2030	4.125%	<u>25,000</u>
				<u>\$ 565,000</u>

**NOTE C - ACCOUNTS RECEIVABLE AND ACCRUED RECEIVABLES:**

Accounts Receivable and Accrued Receivables at June 30, 2013, consisted of the following:

Tenants Accounts Receivable (Net of Allowance - \$389)	\$ 2,970
Accounts Receivable – HUD	88,051
Accounts Receivable – Fraud	5,107
Accounts Receivable – Other Government	37,585
Accrued Interest Receivable	<u>2,297</u>
	<u>\$ 136,010</u>

The consolidated Statement of Net Position presented in the financial statements does not include the interfund receivables and payables of \$221,011 which have been eliminated in the consolidation.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE D - DEFERRED CHARGES:**

Deferred charges at June 30, 2013, consisted of the following:

Prepaid insurance & expenses	\$ 64,437
Inventory materials	<u>52,037</u>
	<u>\$ 116,474</u>

**NOTE E - CAPITAL ASSETS:**

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2013:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
<b>Enterprise Activities</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 67,146	\$ -	\$ -	\$ -	\$ 67,146
Construction in progress	<u>1,646,040</u>	<u>181,565</u>	<u>(1,200,939)</u>	<u>-</u>	<u>626,666</u>
<b>Total capital assets not being depreciated</b>	<u>1,713,186</u>	<u>181,565</u>	<u>(1,200,939)</u>	<u>-</u>	<u>693,812</u>
Buildings & improvements	<u>11,086,564</u>	<u>-</u>	<u>1,140,325</u>	<u>-</u>	<u>12,226,889</u>
Furniture & equipment	<u>345,503</u>	<u>-</u>	<u>60,613</u>	<u>(10,635)</u>	<u>395,481</u>
<b>Total capital assets being depreciated</b>	<u>11,432,067</u>	<u>-</u>	<u>1,200,938</u>	<u>(10,635)</u>	<u>12,622,370</u>
Less accumulated depreciation for:					
Buildings & improvements	<u>(8,225,638)</u>	<u>(171,276)</u>	<u>-</u>	<u>-</u>	<u>(8,396,914)</u>
Furniture & equipment	<u>(278,898)</u>	<u>(33,598)</u>	<u>-</u>	<u>10,635</u>	<u>(301,861)</u>
<b>Total accumulated depreciation</b>	<u>(8,504,536)</u>	<u>(204,874)</u>	<u>-</u>	<u>10,635</u>	<u>(8,698,775)</u>
<b>Total capital assets being depreciated</b>	<u>2,927,531</u>				<u>3,923,595</u>
<b>Enterprise activity capital assets, net</b>	<u>\$ 4,640,717</u>				<u>\$ 4,617,407</u>

Balance at July 1, 2012	\$ 4,640,717
Current period additions – capital fund	181,565
Prior period additions reclassified	(1)
Current period depreciation expense	<u>(204,874)</u>
Balance at June 30, 2013	<u>\$ 4,617,407</u>

**NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:**

Accounts Payable and Accrued liabilities at June 30, 2013, consisted of the following:

Vendors & contractors	\$ 17,393
Accrued compensated absences-current	13,102
Tenant security deposits	56,676
Accrued payroll/taxes	8,412
Unearned revenue	5,500
Long-term debt – current portion	<u>102,896</u>
	<u>\$ 203,979</u>

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES: (Cont'd)**

The consolidated Statement of Net Position presented in the financial statements does not include the interfund receivables and payables of \$221,011 which have been eliminated in the consolidation.

**NOTE G - OTHER NONCURRENT LIABILITIES:**

Other noncurrent liabilities at June 30, 2013, consisted of the following:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Compensated absences	\$ 67,531	\$ 29,468	\$ (31,495)	\$ 65,504	\$ 13,102
Notes payable	104,798	-	(1,902)	102,896	102,896
<b>Total Noncurrent Liabilities</b>	<b>\$ 172,329</b>	<b>\$ 29,468</b>	<b>\$ (33,397)</b>	<b>\$ 168,400</b>	<b>\$ 115,998</b>

**NOTE H - LONG-TERM DEBT - MORTGAGE NOTES PAYABLE:**

The Ruston Community Corporation (Business Activities) entered into a debt obligation with the Bank of Ruston on October 19, 2010 for the acquisition of certain real property. The obligation is secured by a first mortgage deed and bears interest at a rate of 7.75% per annum. This note will mature on September 19, 2013, and the Authority plans to refinance into a long-term note payable agreement at that time. As such, the entire outstanding note liability of \$102,896 is shown as current as of June 30, 2013.

**NOTE I - COMMITMENTS AND CONTINGENCIES:**

**Legal:**

The Authority is party to no pending or threatened legal actions arising from the normal course of its operations.

**Grants and contracts:**

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of June 30, 2013.

**Capital fund:**

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE J - RELATED PARTY TRANSACTIONS:**

The Board of Commissioners of the Housing Authority also serves as Directors of the Ruston Community Corporation, Inc. Board. This organization is a nonprofit corporation designed to build and develop affordable housing in the Ruston area. This entity is included in the consolidated financial statements as a blended component unit. There are no other related party transactions during the year.

**NOTE K - PENSION PLAN:**

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan. The plan administrator is William M. Mercer, Inc. The purpose of the Plan is to provide retirement benefits for eligible employees when they reach their normal retirement date. This plan is considered to be a defined contribution plan and as such the contribution percentages are fixed and based upon the employee's earnings. Employees are eligible to participate from the date of employment. The Authority total covered payroll for the year ended June 30, 2013 was \$473,027.19.

The Employees are required to contribute 6.00% of their annual covered salary and the Housing Authority is required to contribute at a rate of 8.50% of the annual covered payroll. The contribution rates were established by the employee's joinder agreement. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current period contribution requirement. The Authority's contribution for the year ended June 30, 2013 was \$40,207.16 and the total pension contribution for the year was \$88,146.97.

Other than the above mentioned pension plan, the Authority does not participate in any Other Post-Employment Benefits plan.

**NOTE L - RISK MANAGEMENT:**

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, causality, employee dishonesty and public official's liability forms are used to cover the respective perils. Commercial carriers insure all common perils such as business auto, computer and other miscellaneous policies.

The Authority participates in public entity risk pool (Louisiana Municipal League Risk Management Pool) for General Liability, and Directors and Officers Liability. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
(Continued)

**NOTE M - ECONOMIC DEPENDENCY:**

The Authority Owned Housing is economically dependent on annual contributions grants from the Federal government. This program operates at a loss prior to receiving the contributions and grants.

**NOTE N - SUPPLEMENTARY INFORMATION:**

The supplementary information has been included in order to show the financial statements of the Housing Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplementary information is reviewed by the field office and provides greater detail concerning the operations of the Authority.

HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana

SINGLE AUDIT SECTION  
YEAR ENDED JUNE 30, 2013



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS  
INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Housing Authority of the Town of Ruston  
Ruston, Louisiana 71723

HUD – New Orleans Office  
501 Magazine 9th Floor  
New Orleans, Louisiana 70130

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Town of Ruston, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Town of Ruston's basic financial statements, and have issued our report thereon dated December 5, 2013.

**Internal Control Over Financial Reporting**

Management of the Housing Authority of the Town of Ruston is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

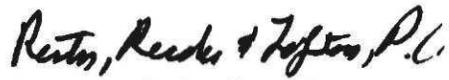
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Ruston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Rector, Reeder & Lofton, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
December 5, 2013



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB A-133**  
*INDEPENDENT AUDITORS' REPORT*

Board of Commissioners  
Housing Authority of the Town of Ruston  
Ruston, Louisiana 71723

HUD – New Orleans Office  
501 Magazine 9th Floor  
New Orleans, Louisiana 70130

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the Town of Ruston's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the Town of Ruston's major federal programs for the year ended June 30, 2013. The Housing Authority of the Town of Ruston's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the Town of Ruston's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the Town of Ruston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Housing Authority of the Town of Ruston's compliance with those requirements.

**Basis for Qualified Opinion on the Low-Rent Public Housing Program**

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding eligibility as described in finding 2013-001. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

### **Qualified Opinion on the Low-Rent Public Housing Program**

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low-Rent Public Housing Program for the year ended June 30, 2013.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

The Housing Authority of the Town of Ruston's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Housing Authority of the Town of Ruston's response is not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

The management of the Housing Authority of the Town of Ruston is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the Town of Ruston's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001 that we consider to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Rector, Reeder & Lofton, P.C.*  
Rector, Reeder & Lofton, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
December 5, 2013

**HOUSING AUTHORITY OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2012, contained one formal audit finding. This finding will be continued as Finding 2013-001 and the current status can be found in the current schedule of findings and questioned costs.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I – Summary of Auditor’s Results:**

**Financial Statements**

Type of report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weakness(es) identified?	<b>No</b>
Significant deficiency(ies) identified not considered to be material weaknesses?	<b>None reported</b>
Noncompliance material to the financial statements noted?	<b>No</b>

**Federal Awards**

Internal controls over major programs:	
Material weakness(es) identified?	<b>No</b>
Significant deficiency(ies) identified not considered to be material weaknesses?	<b>Yes</b>
Type of report issued on the compliance for major programs:	<b>Qualified</b>
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	<b>Yes</b>
Identification of major program(s):	
CFDA #14.850 - Low-Rent Public Housing Program	
Dollar threshold used to distinguish between type A and type B programs:	<b>\$300,000</b>
Did the Authority qualify as a low-risk auditee?	<b>No</b>

**Section II – Financial Statement Findings**

***Findings related to financial statements in accordance with GAGAS:***

NONE REPORTED

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(Continued)

**Section III – Federal Award Findings and Questioned Costs**  
*Findings and questioned costs for Federal Awards as defined in Section .510:*

**Finding 2013-001 Low Rent Public Housing Files – Significant Deficiency & Noncompliance**

**CFDA # 14.850**

**Condition:**

We reviewed twenty (20) Low Rent Public Housing participant files. We observed incorrect income calculations in three (3) of those tenant files. If extrapolated and annualized over the entire program population, these errors could potentially misstate tenant rental revenue by \$17,051.

**Criteria:**

Part 24 of the Code of Federal Regulations, Section 966, and the HUD RIM Handbook give the requirements for maintaining the tenant files. HUD requires that certain information be obtained from each resident in order to properly support the rental calculations and prescribes acceptable methods of tenant income calculation.

**Cause:**

We noted the miscalculations were the result of a general disregard of the documentation provided by the tenants to substantiate the tenant's income.

**Effect:**

Three (3) of twenty (20) files reviewed contained income calculation errors which led to incorrect tenant rent calculations. Failure to accurately calculate tenant income can result in the inability to properly rely or make assurances on rental income and could lead to tenants being either under or overcharged for their dwelling rent.

**Recommendation:**

We recommend that the PHA staff utilize a checklist that chronicles the necessary items that are to be included with each tenant's re-certification. In addition, we recommend that a PHA staff member, separate of the tenant re-certification process, audit at least 20% of all Public Housing tenants' annual re-certifications, to ensure that documentation for compliance and income calculations are calculated correctly and readily available within the files.

**Corrective Action Plan:**

The Project Manager assigned this duty is using a checklist to chronicle the necessary items to be included with each tenant's re-certification. The Project Manager has been instructed on the proper methodology for averaging of income and the calculation of rent. The three (3) files that had incorrect calculations have been reviewed and the rents have been re-calculated and tenants notified.

**Contact Person:** Woody Whittington, Executive Director

**HOUSING AUTHORITY OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)**

**Section III – Federal Award Findings and Questioned Costs  
*Findings and questioned costs for Federal Awards as defined in Section .510:***

**Finding 2013-001 Low Rent Public Housing Files – Significant Deficiency & Noncompliance (Cont'd)**

**Anticipated Completion Date:**

The (3) files that had incorrect calculations have been reviewed and the rents have been re-calculated. Files of other working households will be reviewed and rents re-calculated, if necessary, by January 31, 2014.

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2013**

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET POSITION ACCOUNTS  
JUNE 30, 2013**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash:					
Cash - unrestricted	\$ 24,958	\$ 3,850	\$ 797,141	\$ 0	\$ 825,949
Cash - restricted	0	0	0	0	0
Cash - tenant security deposits	1,875	54,801	0	0	56,676
<b>Total Cash</b>	<u>26,833</u>	<u>58,651</u>	<u>797,141</u>	<u>0</u>	<u>882,625</u>
Accounts and notes receivables:					
Accounts receivable - HUD	0	88,051	0	0	88,051
Accounts receivable - other government	21,312	0	16,273	0	37,585
Accounts receivable - miscellaneous	0	0	0	0	0
Accounts receivable - tenants rents	0	3,359	0	0	3,359
Allowance for doubtful accounts-tenants	0	(389)	0	0	(389)
Accounts receivable - fraud	0	5,107	0	0	5,107
Allowance for doubtful accounts-other	0	0	0	0	0
Notes receivable - current	0	0	0	0	0
Accrued interest receivable	0	533	1,764	0	2,297
<b>Total receivables - net</b>	<u>21,312</u>	<u>96,661</u>	<u>18,037</u>	<u>0</u>	<u>136,010</u>
Current investments:					
Investments - unrestricted	0	220,933	33,074	0	254,007
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	0	62,651	1,786	0	64,437
Inventories	0	52,037	0	0	52,037
Allowance for obsolete inventories	0	0	0	0	0
Assets held for sale	0	0	0	0	0
Interprogram due from	221,011	0	0	(221,011)	0
<b>TOTAL CURRENT ASSETS</b>	<u>269,156</u>	<u>490,933</u>	<u>850,038</u>	<u>(221,011)</u>	<u>1,389,116</u>
<b>NONCURRENT ASSETS:</b>					
Capital Assets:					
Land	31,378	35,768	0	0	67,146
Buildings	113,622	3,601,846	0	0	3,715,468
Furniture & equipment - dwellings	0	0	0	0	0
Furniture & equipment - admin	0	350,586	44,895	0	395,481
Improvements	0	8,511,421	0	0	8,511,421
Work in process	0	626,666	0	0	626,666
Accumulated depreciation	(25,910)	(8,627,970)	(44,895)	0	(8,698,775)
<b>Total capital assets - net</b>	<u>119,090</u>	<u>4,498,317</u>	<u>0</u>	<u>0</u>	<u>4,617,407</u>
Notes receivable - noncurrent	0	0	0	0	0
Investment in joint ventures	0	0	0	0	0
<b>TOTAL NONCURRENT ASSETS</b>	<u>119,090</u>	<u>4,498,317</u>	<u>0</u>	<u>0</u>	<u>4,617,407</u>
<b>TOTAL ASSETS</b>	<u>\$ 388,246</u>	<u>\$ 4,989,250</u>	<u>\$ 850,038</u>	<u>\$ (221,011)</u>	<u>\$ 6,006,523</u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET POSITION ACCOUNTS  
JUNE 30, 2013**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
<b>LIABILITIES AND NET POSITION:</b>					
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	0	0	17,393	0	17,393
Accrued salaries/payroll withholding	0	0	8,412	0	8,412
Accrued compensated absences	0	9,989	3,113	0	13,102
Accrued interest payable	0	0	0	0	0
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	0	0	0	0	0
Tenant security deposits	1,875	54,801	0	0	56,676
Unearned revenue	0	5,500	0	0	5,500
Current portion of L-T debt - capital projects	102,896	0	0	0	102,896
Other current liabilities	0	0	0	0	0
Interprogram (due to)	0	76,237	144,774	(221,011)	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>104,771</u>	<u>146,527</u>	<u>173,692</u>	<u>(221,011)</u>	<u>203,979</u>
<b>NONCURRENT LIABILITIES:</b>					
Long-term debt, net of current - capital projects	0	0	0	0	0
Accrued comp. absences - long term	0	39,952	12,450	0	52,402
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>0</u>	<u>39,952</u>	<u>12,450</u>	<u>0</u>	<u>52,402</u>
<b>TOTAL LIABILITIES</b>	<u>104,771</u>	<u>186,479</u>	<u>186,142</u>	<u>(221,011)</u>	<u>256,381</u>
<b>NET POSITION:</b>					
Net investment in capital assets	16,194	4,498,317	0	0	4,514,511
Restricted	0	0	0	0	0
Unrestricted	267,281	304,454	663,896	0	1,235,631
<b>TOTAL NET POSITION</b>	<u>283,475</u>	<u>4,802,771</u>	<u>663,896</u>	<u>0</u>	<u>5,750,142</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 388,246</u>	<u>\$ 4,989,250</u>	<u>\$ 850,038</u>	<u>\$ (221,011)</u>	<u>\$ 6,006,523</u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN NET POSITION ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
<b>REVENUES:</b>					
Net tenant rental revenue	\$ 20,934	\$ 632,284	\$ 0	\$ 0	\$ 653,218
Tenant revenue - other	180	219,197	0	0	219,377
Total tenant revenue	21,114	851,481	0	0	872,595
HUD PHA grants - operating	0	912,187	0	0	912,187
HUD PHA grants - capital	0	181,565	0	0	181,565
Management fee	0	0	170,657	(170,657)	0
Asset management fee	0	0	35,300	(35,300)	0
Bookkeeping fee	0	0	26,505	(26,505)	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	0	359	6,463	0	6,822
Mortgage interest income	0	0	0	0	0
Fraud income	0	0	0	0	0
Other revenue	116,452	19,972	23,867	0	160,291
Investment income - restricted	0	0	0	0	0
Gain/(loss) on disposition	0	0	0	0	0
<b>TOTAL REVENUES</b>	<b>\$ 137,566</b>	<b>\$ 1,965,564</b>	<b>\$ 262,792</b>	<b>\$ (232,462)</b>	<b>\$ 2,133,460</b>
<b>EXPENSES:</b>					
Administrative:					
Administrative salaries	\$ 0	\$ 83,695	\$ 109,349	\$ 0	\$ 193,044
Compensated absences	0	0	0	0	0
Auditing fees	0	4,430	3,500	0	7,930
Management fees	0	170,657	0	(170,657)	0
Bookkeeping fees	0	26,505	0	(26,505)	0
Advertising & marketing	0	0	0	0	0
Employee benefits - administrative	0	40,129	52,431	0	92,560
Office expense	421	2,741	5,606	0	8,768
Legal expense	0	2,640	0	0	2,640
Travel expense	121	12,740	0	0	12,861
Other operating - administrative	1,093	61,630	10,656	0	73,379
Total Administrative Expense	1,635	405,167	181,542	(197,162)	391,182
Asset management fee	0	35,300	0	(35,300)	0
Tenant services:					
Tenant services - salaries	0	21,901	0	0	21,901
Employee benefits - tenant services	0	10,501	0	0	10,501
Other tenant services	0	73,734	0	0	73,734
Total Tenant Services	0	106,136	0	0	106,136
Utilities:					
Water	0	23,359	0	0	23,359
Electricity	0	197,659	0	0	197,659
Gas	0	6,366	0	0	6,366
Sewer	0	57,929	0	0	57,929
Other utilities	0	0	0	0	0
Employee benefits - utilities	0	0	0	0	0
Total Utilities Expense	0	285,313	0	0	285,313

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN NET POSITION ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Account Description</u>	Business Activities	Low-Rent Public Hsg 14.850	Central Office Cost Center	Elimination	TOTAL
<b>Ordinary Maintenance &amp; Operation:</b>					
Labor	16,736	325,871	0	0	342,607
Materials	28,047	110,330	0	0	138,377
Employee benefit contributions	0	158,261	0	0	158,261
Garbage & trash removal contracts	0	20,946	0	0	20,946
Heating & cooling contracts	0	1,027	0	0	1,027
Snow removal contracts	0	0	0	0	0
Elevator maintenance contracts	0	0	0	0	0
Landscape & grounds contracts	0	14,277	0	0	14,277
Unit turnaround contracts	0	9,831	0	0	9,831
Electrical contracts	679	8,257	0	0	8,936
Plumbing contracts	275	5,884	0	0	6,159
Extermination contracts	0	31,215	0	0	31,215
Janitorial contracts	0	0	0	0	0
Routine maintenance contracts	0	0	0	0	0
Contract costs - other	13,731	121,170	0	0	134,901
<b>Total Ordinary Maintenance &amp; Operation</b>	<b>59,468</b>	<b>807,069</b>	<b>0</b>	<b>0</b>	<b>866,537</b>
<b>Protective services:</b>					
Protective services - salaries	0	0	0	0	0
Employee benefits - protective services	0	0	0	0	0
Other protective services	0	0	0	0	0
<b>Total Protective Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>General Expenses:</b>					
Property insurance	0	12,508	0	0	12,508
Liability insurance	0	11,912	0	0	11,912
Workmen's compensation	0	82,818	0	0	82,818
Insurance - other	967	0	3,881	0	4,848
Other general expense	0	4,570	0	0	4,570
Payments in lieu of taxes	1,308	0	0	0	1,308
Bad debt - tenant rents	752	15,640	0	0	16,392
Bad debt - mortgages	0	0	0	0	0
Severance expense	0	0	0	0	0
<b>Total General Expenses</b>	<b>3,027</b>	<b>127,448</b>	<b>3,881</b>	<b>0</b>	<b>134,356</b>
<b>Financial Expenses:</b>					
Interest expense - Mortgage Payable	8,115	0	0	0	8,115
Interest expense - Notes Payable	0	0	0	0	0
Amortization - issuance costs	0	0	0	0	0
<b>Total Financial Expenses</b>	<b>8,115</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,115</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>72,245</b>	<b>1,766,433</b>	<b>185,423</b>	<b>(232,462)</b>	<b>1,791,639</b>
<b>EXCESS OPERATING REVENUE</b>	<b>65,321</b>	<b>199,131</b>	<b>77,369</b>	<b>0</b>	<b>341,821</b>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN NET POSITION ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Account Description</u>	Business Activities	Low-Rent Public Hsg 14,850	Central Office Cost Center	Elimination	TOTAL
Other Expenses:					
Extraordinary maintenance	0	0	0	0	0
Casualty losses	0	0	0	0	0
Housing assistance payments	0	0	0	0	0
Depreciation expense	3,787	195,193	5,894	0	204,874
Total Other Expenses	<u>3,787</u>	<u>195,193</u>	<u>5,894</u>	<u>0</u>	<u>204,874</u>
<b>TOTAL EXPENSES</b>	<b>\$ 76,032</b>	<b>\$ 1,961,626</b>	<b>\$ 191,317</b>	<b>\$ (232,462)</b>	<b>\$ 1,996,513</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 61,534</b>	<b>\$ 3,938</b>	<b>\$ 71,475</b>	<b>\$ 0</b>	<b>\$ 136,947</b>
Transfer of funds	0	0	0	0	0
Transfer of equity	0	0	0	0	0
Prior period adjustments	0	0	0	0	0
<b>Beginning Net Position</b>	<u>221,941</u>	<u>4,798,833</u>	<u>592,421</u>	<u>0</u>	<u>5,613,195</u>
<b>Ending Net Position</b>	<b>\$ 283,475</b>	<b>\$ 4,802,771</b>	<b>\$ 663,896</b>	<b>\$ 0</b>	<b>\$ 5,750,142</b>
<b>Units Available</b>	<b>48</b>	<b>3,600</b>	<b>-</b>	<b>-</b>	<b>3,648</b>
<b>Units Leased</b>	<b>48</b>	<b>3,534</b>	<b>-</b>	<b>-</b>	<b>3,582</b>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET POSITION ACCOUNTS - AMPs  
JUNE 30, 2013**

<u>Account Description</u>	<u>LA054 - 1</u>	<u>Other Project</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
CURRENT ASSETS:			
Cash:			
Cash - unrestricted	\$ 3,850	\$ 0	\$ 3,850
Cash - restricted	0	0	0
Cash - tenant security deposits	54,801	0	54,801
Total Cash	<u>58,651</u>	<u>0</u>	<u>58,651</u>
Accounts and notes receivables:			
Accounts receivable - HUD	88,051	0	88,051
Accounts receivable - other government	0	0	0
Accounts receivable - miscellaneous	0	0	0
Accounts receivable - tenants rents	3,359	0	3,359
Allowance for doubtful accounts-tenants	(389)	0	(389)
Accounts receivable - fraud	5,107	0	5,107
Allowance for doubtful accounts-other	0	0	0
Accrued interest receivable	533	0	533
Total receivables - net	<u>96,661</u>	<u>0</u>	<u>96,661</u>
Current investments:			
Investments - unrestricted	220,933	0	220,933
Prepaid expenses and other assets	62,651	0	62,651
Inventories	52,037	0	52,037
Allowance for obsolete inventories	0	0	0
Interprogram due from	0	0	0
TOTAL CURRENT ASSETS	<u>490,933</u>	<u>0</u>	<u>490,933</u>
NONCURRENT ASSETS:			
Capital Assets:			
Land	35,768	0	35,768
Buildings	3,601,846	0	3,601,846
Furniture & equipment - dwellings	0	0	0
Furniture & equipment - admin	350,586	0	350,586
Improvements	8,511,421	0	8,511,421
Construction in Progress	626,666	0	626,666
Accumulated depreciation	(8,627,970)	0	(8,627,970)
Total capital assets - net	<u>4,498,317</u>	<u>0</u>	<u>4,498,317</u>
Notes receivable - noncurrent	0	0	0
Investment in joint ventures	0	0	0
TOTAL NONCURRENT ASSETS	<u>4,498,317</u>	<u>0</u>	<u>4,498,317</u>
TOTAL ASSETS	<u>\$ 4,989,250</u>	<u>\$ 0</u>	<u>\$ 4,989,250</u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET POSITION ACCOUNTS - AMPs  
JUNE 30, 2013**

<u>Account Description</u>	<u>LA054 - 1</u>	<u>Other Project</u>	<u>TOTAL</u>
<b>LIABILITIES AND NET POSITION:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Cash overdraft	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	0	0	0
Accrued salaries/payroll withholding	0	0	0
Accrued compensated absences	9,989	0	9,989
Accrued interest payable	0	0	0
Accounts payable - HUD PHA programs	0	0	0
Accounts payable - other gov.	0	0	0
Tenant security deposits	54,801	0	54,801
Unearned revenue	5,500	0	5,500
Current portion of L-T debt - capital projects	0	0	0
Other current liabilities	0	0	0
Interprogram (due to)	76,237	0	76,237
<b>TOTAL CURRENT LIABILITIES</b>	<u>146,527</u>	<u>0</u>	<u>146,527</u>
<b>NONCURRENT LIABILITIES:</b>			
Long-term debt, net of current - capital projects	0	0	0
Accrued comp. absences - long term	39,952	0	39,952
Noncurrent liabilities - other	0	0	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>39,952</u>	<u>0</u>	<u>39,952</u>
<b>TOTAL LIABILITIES</b>	<u>186,479</u>	<u>0</u>	<u>186,479</u>
<b>NET POSITION:</b>			
Net investment in capital assets	4,498,317	0	4,498,317
Restricted	0	0	0
Unrestricted	304,454	0	304,454
<b>TOTAL NET POSITION</b>	<u>4,802,771</u>	<u>0</u>	<u>4,802,771</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 4,989,250</u>	<u>\$ 0</u>	<u>\$ 4,989,250</u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN  
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Account Description</u>	<b>LA054 - 1</b>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
<b>REVENUES:</b>			
Net tenant rental revenue	\$ 632,284	\$ 0	\$ 632,284
Tenant revenue - other	219,197	0	219,197
Total tenant revenue	<u>851,481</u>	<u>0</u>	<u>851,481</u>
HUD PHA grants - operating	829,952	82,235	912,187
HUD PHA grants - capital	0	181,565	181,565
Management fee	0	0	0
Asset management fee	0	0	0
Bookkeeping fee	0	0	0
Front line service fee	0	0	0
Other government grants	0	0	0
Investment income - unrestricted	359	0	359
Mortgage interest income	0	0	0
Fraud income	0	0	0
Other revenue	19,972	0	19,972
Investment income - restricted	0	0	0
Gain/(loss) on disposition	0	0	0
<b>TOTAL REVENUES</b>	<b><u>\$ 1,701,764</u></b>	<b><u>\$ 263,800</u></b>	<b><u>\$ 1,965,564</u></b>
<b>EXPENSES:</b>			
Administrative:			
Administrative salaries	\$ 83,695	\$ 0	\$ 83,695
Auditing fees	2,430	2,000	4,430
Management fees	170,657	0	170,657
Bookkeeping fees	26,505	0	26,505
Advertising & marketing	0	0	0
Employee benefits - administrative	40,129	0	40,129
Office expense	2,741	0	2,741
Legal expense	2,640	0	2,640
Travel expense	12,740	0	12,740
Other operating - administrative	54,722	6,908	61,630
Total Administrative Expense	<u>396,259</u>	<u>8,908</u>	<u>405,167</u>
Asset management fee	<u>35,300</u>	<u>0</u>	<u>35,300</u>
Tenant services:			
Tenant services - salaries	21,901	0	21,901
Employee benefits - tenant services	10,501	0	10,501
Other tenant services	22,734	51,000	73,734
Total Tenant Services	<u>55,136</u>	<u>51,000</u>	<u>106,136</u>
Utilities:			
Water	23,359	0	23,359
Electricity	197,659	0	197,659
Gas	6,366	0	6,366
Sewer	57,929	0	57,929
Other utilities	0	0	0
Employee benefits - utilities	0	0	0
Total Utilities Expense	<u>285,313</u>	<u>0</u>	<u>285,313</u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN  
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Account Description</u>	<u>LA054 - 1</u>		<u>Total</u>
	<u>Operating</u>	<u>Capital</u>	
<b>Ordinary Maintenance &amp; Operation:</b>			
Labor	325,871	0	325,871
Materials	108,003	2,327	110,330
Employee benefit contributions	158,261	0	158,261
Garbage & trash removal contracts	20,946	0	20,946
Heating & cooling contracts	1,027	0	1,027
Snow removal contracts	0	0	0
Elevator maintenance contracts	0	0	0
Landscape & grounds contracts	14,277	0	14,277
Unit turnaround contracts	9,831	0	9,831
Electrical contracts	8,257	0	8,257
Plumbing contracts	5,884	0	5,884
Extermination contracts	31,215	0	31,215
Janitorial contracts	0	0	0
Routine maintenance contracts	0	0	0
Contract costs - other	121,170	0	121,170
<b>Total Ordinary Maintenance &amp; Operation</b>	<b>804,742</b>	<b>2,327</b>	<b>807,069</b>
<b>Protective services:</b>			
Protective services - salaries	0	0	0
Employee benefits - protective services	0	0	0
Other protective services	0	0	0
<b>Total Protective Services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>General Expenses:</b>			
Property insurance	12,508	0	12,508
Liability insurance	11,912	0	11,912
Workmen's compensation	82,818	0	82,818
Insurance - other	0	0	0
Other general expense	4,570	0	4,570
Payments in lieu of taxes	0	0	0
Bad debt - tenant rents	15,640	0	15,640
Bad debt - mortgages	0	0	0
Severance expense	0	0	0
<b>Total General Expenses</b>	<b>127,448</b>	<b>0</b>	<b>127,448</b>
<b>Financial Expenses:</b>			
Interest expense - Mortgage Payable	0	0	0
Interest expense - Notes Payable	0	0	0
Amortization - issuance costs	0	0	0
<b>Total Financial Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>1,704,198</b>	<b>62,235</b>	<b>1,766,433</b>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN  
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Account Description</u>	<b>LA054 - 1</b>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
<b>EXCESS OPERATING REVENUE</b>	(2,434)	201,565	199,131
Other Expenses:			
Extraordinary maintenance	0	0	0
Casualty losses	0	0	0
Housing assistance payments	0	0	0
Depreciation expense	195,193	0	195,193
<b>Total Other Expenses</b>	<b>195,193</b>	<b>0</b>	<b>195,193</b>
<b>TOTAL EXPENSES</b>	<b>\$ 1,899,391</b>	<b>\$ 62,235</b>	<b>\$ 1,961,626</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ (197,627)</b>	<b>\$ 201,565</b>	<b>\$ 3,938</b>
Transfer of funds	20,000	(20,000)	0
Transfer of equity	181,565	(181,565)	0
Prior period adjustments	0	0	0
<b>Beginning Net Position</b>	<b>4,798,833</b>	<b>0</b>	<b>4,798,833</b>
<b>Ending Net Position</b>	<b>\$ 4,802,771</b>	<b>\$ 0</b>	<b>\$ 4,802,771</b>
<b>Units Available</b>	<b>3600</b>	<b>0</b>	<b>3,600</b>
<b>Units Leased</b>	<b>3534</b>	<b>0</b>	<b>3,534</b>

Housing Authority of the Town of Ruston  
Ruston, Louisiana

**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<b>FEDERAL GRANTOR</b>			
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</u></b>			
<b>Public Housing:</b>			
Low Rent Public Housing - subsidy	A - Major	14.850	\$ 829,952
Capital Fund Program	B - Nonmajor	14.872	<u>263,800</u>
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			\$ <u><u>1,093,752</u></u>
<b>Threshold for Type A &amp; Type B</b>			\$ <u><u>300,000</u></u>

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the Town of Ruston and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE B - SUBRECIPIENTS:**

The Housing Authority of the Town of Ruston provided no federal awards to subrecipients during the fiscal year ending June 30, 2013.

**NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:**

- The Housing Authority of the Town of Ruston received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2013.
- The Housing Authority of the Town of Ruston had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2013.
- The Housing Authority of the Town of Ruston maintains the following limits of insurance as of June 30, 2013:

Property	\$ 25,327,710
Liability	\$ 1,000,000
Commercial Auto	\$ 100,000
Commercial Auto Liability	\$ 300,000
Worker Compensation	Regulatory
Public Officials Liability	\$ 1,000,000
Fidelity Bond	\$ 45,000

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.



December 5, 2013

To the Board of Commissioners  
Housing Authority of the Town of Ruston

We have audited the financial statements of the Housing Authority of the Town of Ruston for the year ended June 30, 2013, and have issued our report thereon dated December 5, 2013. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As a part of our audit, we considered the internal control structure of the Housing Authority of the Town of Ruston. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

#### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Housing Authority of the Town of Ruston are described in Note A to the financial statements. Currently as a result of federal regulations the Housing Authority has adopted the generally accepted accounting principles.

#### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Housing Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Housing Authority's financial reporting process.

#### **Disagreements with Management**

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Significant Deficiencies**

Our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. Our audit was not specifically designed and cannot be relied on to provide assurance on internal control or to identify deficiencies in internal control. As required under professional standards, we are required to report any significant deficiencies encountered during our audit. Our review identified certain significant deficiencies as noted in the current audit findings section of the audit report.

**Additional Comment and Observations**

1. **Waiting List** – Testing of the PHA waiting list indicated a potential control weakness. While our review indicates the PHA housed applicants in accordance with its ACOP, the effective controls over the wait list appear to be manual in nature due to PHA staff not utilizing the automated wait list controls.

This information is intended solely for the use of the Audit Committee, the Finance Committee, the Board of Commissioners, the management agent, and management of the Housing Authority of the Town of Ruston and should not be used for any other purpose.

Very truly yours,

*Rector, Reeder & Lofton, P.C.*

Rector, Reeder & Lofton, P.C.  
Certified Public Accountants